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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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1. In July 1953 privately-owned firms and small businesses were represented in Communist China and had a definite part in the Five Year Plan. Numerous brokers and small businessmen in Shanghai were still operating. The policy of allowing limited free enterprise would continue as long as the persons involved dealt in necessities and not luxuries. Some of these small businesses, such as those handling telephone parts, plastics, and hardware, had increased significantly.
2. There were also cases of private ownership of larger industries. A man in Tientsin had had a large factory which manufactured woolen suits. His business had been plundered by the Japanese, and he had almost been forced into bankruptcy by being required to pay Chinese Nationalist bribes. After the Communists came into power, his business stagnated to such an extent that he was ready to close down. However, at this point, he was approached by the new government with a proposition to manufacture industrial woollens such as are used in paper manufacture. The manufacturer risked his last capital in this attempt and was able to do a profitable business with the Communists. In July he had expanded his business to include three factories, and had built a large housing project for his workers. His private gains had not been confiscated, but they had been kept relatively small by taxation and by a government requirement that a portion of his profits be turned back into the business or to the workers' welfare fund. Taxes were not consistent, but were determined by the type of manufacturing done. For example, any profit made in the manufacture of woolen suitings was taxed far heavier than profits made in industrial woollens.
3. The manufacturer expected that China would be socialized to the point that his factories would be taken over by the government. However, since he had demonstrated his ability to run the factories, he felt he would be kept as manager, and would be able to retain his comfortable home, car, appliances, and savings. The manufacturer's children had all secured good positions with the Communist government and were not relying on their father's wealth for their future.

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